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GLNG redirects gas to domestic market

The Australian Petroleum Production & Exploration Association (APPEA) welcomes today's announcement that Santos and its GLNG joint venture partners will supply 30 petajoules of gas, which would otherwise have been exported as LNG, to the east coast domestic market over 2018 and 2019.

APPEA Chief Executive Dr Malcolm Roberts said the deal was just the latest in a series of announcements that prove the market is working.

"While the supply-demand balance is tight, a string of new contracts confirm that gas producers are delivering," Dr Roberts said.

"Today's announcement is the latest initiative from Santos and its GLNG partners to lift domestic supply. Last week, Santos announced a three-year swap arrangement to boost supply to southern markets. Four weeks ago, Santos and its GLNG partners announced that they will be supplying the gas to return the Pelican Point power station to full service.

"Other producers are also supplying more gas to the market. In Queensland, for example, the Swanbank E power station is being returned to service with gas supplied by Shell Australia.

"Over the last five years, the industry has tripled gas production on the east coast.

"Before the massive investment driven by the three east coast LNG projects, customers were facing the prospect of importing gas from Papua New Guinea. Now, thanks to the LNG investment, coal seam gas has been developed into an essential source of energy for the domestic market, meeting more than 40 per cent of local demand.

"The industry will continue to develop new resources and write new domestic supply contracts. The industry will continue to work with the Queensland and South Australian governments to expand supply to the market.

"If the State governments in New South Wales and Victoria are genuinely concerned by rising gas prices, they should stop playing politics and lift their bans and restrictions on developing local gas supply.

Dr Roberts said the flow of new contracts shows that the market can solve the tight conditions in the east coast gas market, especially if supported by policies that reduce the costs and risks of developing new supply.

"The alternative to a market solution – namely the Commonwealth's Australian Domestic Gas Supply Mechanism (ADGSM) – may seem to promise some short-term relief but it risks deterring essential investment in new supply," he said.

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